

**GOVERNMENT THAT WORKS!**  
**NEW JERSEY DEPARTMENT OF THE TREASURY**  
**LOCAL GOVERNMENT BUDGET REVIEW**  
**BOROUGH OF MORRIS PLAINS**

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## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the Borough of Morris Plains Budget Review Team***

New Jerseyans deserve the best government that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs -- and the property taxes that pay for them -- have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the State.

To find those "cost drivers" in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local governments are utilizing "Best Practices" -- innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the State.

## **EXECUTIVE SUMMARY**

The introduction to the Morris Plains report acknowledges the growing reputation of the Borough as the “community of caring.” A summary of the five primary causes for the increases in municipal taxes between 1991 and 1995 is also presented. They were the loss of over 29 million dollars in assessed valuation, the cost of sewage treatment services, the cost of group insurance for the employees, the increase in payments into the pension systems and the increase in the reserve for uncollected taxes.

Section One, “The Best Practices of Morris Plains,” identifies the method for purchasing vehicle fuel, cooperative snow plowing with the Morris Plains School District, the cooperative health services contract, the limitations on the carry over of unused sick leave and the elimination of longevity pay as practices deserving to be highlighted.

Section Two, “Opportunities and Options for the Borough of Morris Plains,” identifies several methods to reduce the municipal tax rate. These include increasing the projected collection rate used to compute tax revenues in the annual budget, using more of the unrestricted fund balance and canceling unused appropriations. Last, additional improvements in interest income can be obtained by making greater use of the New Jersey Cash Management Fund.

In the area of public works services, it is recommended that the Borough pursue an inter-local agreement or a contract with a private vendor to reduce the costs of street sweeping and vehicle maintenance. It is also recommended that one supervisory position be eliminated and replaced with a laborer position.

In the police department it is recommended that at least one shift, if not all dispatching be consolidated with another agency. Consideration should be given to utilizing crossing guards to eliminate school bus routes if this option can be shown to be cost effective.

The municipal court is identified as a well run organization. Opportunities to reduce the court’s costs include reducing the full time staffing by .5 positions or establishing a joint or consolidated court with another municipality.

The cost of employee benefits was identified as one of the two major unresolved “cost drivers” in the Borough of Morris Plains budget. To counter the increases in the cost of health and dental insurance it is recommended that the Borough limit its participation to the cost of the premiums for the employee; institute a 10 percent co-pay for dental insurance; and, stop providing insurance to part time employees and officials. It is also recommended that the Borough establish a uniform series of policies regarding the allocation, carry over and payment of sick leave.

In the interest of ensuring that the sewage treatment costs are kept to a minimum it is recommended that the Borough competitively bid a contract for videotaping of the major sewer collection lines. It is also recommended that the Borough solicit additional data on the costs for treatment of sewage for municipalities in the area and from private vendors prior to beginning the re-negotiation of its sewage treatment agreements. The Borough may also want to consider franchising the entire sewer operation so that Morris Plains customers can pay a rate commensurate with the fees and charges in Morris Plains. Yet another alternative would be to explore the feasibility of connecting the Borough's sewer collection system to the Morristown sewage treatment plant which is operating at less than 40 percent capacity.

Other organizational changes that would permit the Borough council to lower the municipal tax rate include the consolidation of the planning and zoning boards, construction code inspections, tax collections and property assessment functions.

Section Three, "Recommended Changes In State Regulations and Procedures," focuses exclusively on the application and impact of the regulations pertaining to the removal of underground fuel storage tanks.

Section Four, "Opportunities for Enhanced Cooperation," is a special section that has been included in the reports presented to the Borough of Morris Plains, Morris Township and Morristown. The section discusses common methods to save costs and it identifies eight different opportunities. They include cooperatively contracted vehicle repair work, inter-local building permits and inspections, inter-local fire safety inspections, consolidated tax and utility bill collections, consolidated payroll services, emergency services dispatching, consolidated recreation programming coordinated programs for seniors and seasonal road repair.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID, AND THE  
LOCAL TAX RATE WITH RECOMMENDED CHANGES IN THE  
BOROUGH OF MORRIS PLAINS COST OF GOVERNMENT**

RECURRING COST REDUCTIONS and REVENUE ENHANCEMENTS

Raise the projected tax collection in order to reduce the reserve for uncollected taxes.  
Recurring cost reduction - \$438,713.

Utilize the unrestricted fund balance to reduce the municipal tax rate. Recurring cost  
reduction - To be determined

Make additional improvements in banking practices. Recurring revenue enhancement -  
\$40,887.

Competitively contract street sweeping work. Recurring cost reduction - \$30,592.

Pursue interlocal agreement or competitive contract to reduce cost of vehicle  
maintenance. Recurring cost reduction - \$17,500.

Replace one public works supervisory position with one laborer position. Recurring cost  
reduction - \$39,500.

Consolidate dispatching with adjacent community. Recurring cost reduction - \$10,200 to  
\$44,300. (Lower estimate used in summary calculations provided below.)

Eliminate .5 position in the staffing of the municipal court. Recurring cost reduction -  
\$6,000.

Eliminate payment for spouse and family health insurance. Recurring cost reduction -  
\$81,286.

Eliminate payment for health insurance for part-time employees and officials. Recurring  
cost savings - \$7,232.

Eliminate payment for spouse and family dental insurance. Recurring cost savings -  
\$12,693.

Establish a 10 percent co-pay for all dental insurance. Recurring cost savings - \$1,217.

Modify existing sewage treatment contract to achieve residential rates commensurate with  
Morris Township. Recurring cost reduction - \$127,600.

Consolidate planning and zoning boards. Recurring cost reduction - To be determined.

Consolidate tax collections with an adjacent community. Recurring cost reduction - \$27,000.

Consolidate property assessment function. Recurring cost reduction - To be determined.

**IDENTIFIED TOTAL**

Recurring cost reductions	\$799,533
Recurring revenue enhancements	<u>\$ 40,887</u>
<b>TOTAL</b>	<b>\$840,420</b>

**Total amount to be raised for Municipal Tax - 1995: \$5,471,905**

**Recurring cost reductions and revenue enhancements  
as a percent of municipal tax: 15.4%**

**Total Current Fund Budget - 1995 \$7,199,593**

**Recurring cost reductions and revenue enhancements  
as a percent of the 1995 budget: 11.7%**

**Total State Aid - 1995 \$ 935,755**

**Recurring cost reductions and revenue enhancements  
as a percent of the 1995 State aid: 89.9%**

**ADDITIONAL NON-RECURRING COST REDUCTION**

Cancel unused appropriations prior to the end of the fiscal year. \$12,000.

## INTRODUCTION

In the greater Morris County area, the phrase “the community of caring” is the descriptive name of the Borough of Morris Plains. The review team found a sense of commitment and pride unique among other municipalities visited over the last two years.

Over the last five years the municipal tax rate has risen approximately 32 cents per \$100 valuation, yet the Morris Plains governing body has initiated a number of significant changes to minimize the size of the tax increase. In many communities the cost of salaries and wages for the uniformed services, the salaries and wages of other employees, productivity as measured by the length of the work week, deferred charges, the reserve for uncollected taxes, debt service and the cost of employees benefits have been identified as the most common causes for the rising cost of local government.

In Morris Plains changes have been made in the staffing and organizational structure of the police department to keep the cost of police salaries and wages nearly flat over the last five years. The amount spent on debt service in 1995 was 77 percent of the amount spent in 1991.

The review team identified five major components of the 32 cent increase in taxes. The largest one was the need to offset the loss of tax revenue resulting from a \$29,649,961 loss in property value. This accounts for roughly 12.4 cents of the increase. Morris Plains has reached the limits of its growth potential. It is highly unlikely that significant increases in the size of the tax base will occur. It is more likely that the community will continue to experience a reduction or stagnation in the total assessed valuation. There does not appear to be a readily achievable solution that directly addresses this problem. It must be recognized and accepted as a factor beyond the direct control of the local government when determining the actions to be taken in the future.

The second largest catalyst to the increase in taxes was the amount paid to Morris Township for sewerage treatment services. Approximately 7.9 cents of the tax increase can be attributed to this expense. This issue is addressed in the Morris Township report and in this report. The three remaining causes include the increase in the cost of group insurance for employees (2.7 cents), the cost of annual payments into the two pension systems (2.6 cents) and the increase in the reserve for uncollected taxes (2.2 cents).

Resolving any specific issue probably will not lead to a long-term reduction in the cost of government or significant increases in the available revenue. To maintain current levels of service considerable thought and work will have to be done to identify those services that must remain under the complete control of the local governing body, those services that can be economically shared with another government and those services that can be contracted more cost effectively. The importance of these options is identified at the outset because the review team found very little that can be improved or changed within the existing organizational framework.

Because the Local Government Budget Review Team had the opportunity to complete five reviews within a contiguous geographic area a special fourth section has been added to this report. Section Four, entitled “Opportunities for Enhanced Cooperation,” is duplicated in the reports presented to the Town of Morristown and Morris Township. It identifies opportunities for enhanced cooperation and sharing among the local agencies.

Morris Plains is a very well run local government. While there are recommendations for some changes and improvements within the existing structure, they are almost incidental in nature when compared to the major structural and organizational issues that deserve to be addressed.

The review team found the staff and the governing body to be exceptionally cooperative. The ability of the staff to provide complete historical data and their command of the issues facing the community is a testimony to their professionalism. Indeed the cooperation and communication within Borough Hall could be labeled as a best practice.

In Section One, “The Best Practices of Morris Plains,” five different practices are discussed. While there are a host of excellent professionals and many effective public services these five were chosen because they are relatively unique and they can be copied by other governments seeking to improve the quality of services and reduce the cost of their government.

Section Two, “Options and Opportunities in Morris Plains” contains recommendations on ways the cost of the government in Morris Plains can be reduced. They include improvements within the existing structure as well as identification of areas where changes in the structure could lead to additional savings.

The third section, “Recommended Changes in State Regulations and Procedures,” focuses on one topic. This issue was selected because of its general importance statewide and its impact on Morris Plains. It is fair to suggest that no one would dispute the need to remove old underground fuel tanks. It is reasonable for the State to impose deadlines to accomplish the task. However, when the project takes on a life of its own due to the manner in which the case is handled then the regulations and procedures deserve to be reviewed.

Last, it is to the credit of the community that the governing body, in conjunction with their colleagues in Morris Township, Morristown, the Morris School District and the Morris Plains School District solicited the assistance of the Local Budget Review Teams. It is clear that their commitment to the well being of their constituents is much more important than simply maintaining the status quo.

Each recommendation presented in this report is numbered for ease of reference. In addition, the Executive Summary contains the estimated fiscal impact of most recommendations. These impacts are provided to assist the governing body in developing its priorities and its plan of action.



The Local Government Budget Review Teams recognize that implementation of the recommendations will take time. Some recommendations will necessitate changes in local policies or ordinances. Others will require modifications to local collective bargaining agreements or State regulations. The sum of the estimated fiscal impact can not occur within one or even two years. It does, nevertheless, present a realistic goal for the staff and the council as they continue to work for the optimum balance of services provided to the residents and businesses of Morris Plains with the municipal taxes they must pay.

## **SECTION ONE**

### **THE BEST PRACTICES OF MORRIS PLAINS**

#### **The Purchase of Vehicle Fuel**

The Borough of Morris Plains chose to eliminate its gasoline fuel tank and purchase fuel from Morris County. The cost per gallon is comparable to the price the Borough would have paid if it had continued to buy fuel on its own. The fuel depot is not in Morris Plains but it is close enough to ensure there is no significant time lost or expense involved in refueling the vehicles.

Given the regulations pertaining to underground and above ground fuel storage tanks, and given the buying power achieved through large purchases of fuels it is in the best interest of governments to identify ways to reduce the number of fuel depots. The large number of geographically small communities in New Jersey would seem to indicate that arrangements similar to the one between Morris Plains and Morris County can be quite feasible.

#### **Cooperative Snow Plowing**

The Borough of Morris Plains does all of the snow plowing for the Morris Plains School District. It was a surprise to the local leaders that the review team found this to be rather unique which is yet another testimony to the sense of commitment and cooperation found in the Borough.

When snow storms engulf a community there must be good communication between a school district and a municipality, particularly the police department regarding the opening of schools. There must also be good communication between the police and the public works department regarding the condition of the roads. By having one department do all of the plowing the assessment of the snow conditions is facilitated which in turn facilitates the discussion and decision making among agencies. Also, the use of the publicly owned snow plowing equipment is optimized.

The relatively small size of the Borough of Morris Plains may help make this arrangement possible. However, in larger communities snow plowing assignments are usually made by sector. The size of the sectors is often analogous to a smaller community.

#### **Cooperative Health Services Contract**

The Borough of Morris Plains has contracted for the provision of the mandatory public health services as well as the provision of some optional services. The content of any contract and the fees to be paid is a by-product of the negotiation between the two parties. This contract provides a clear indication that the provision of basic public health services, which is one of the fundamental responsibilities of a local government, does not always have to be provided directly by the local government. Furthermore, it could be argued that there is as much control, if not more control on the cost and the quality of the services being delivered through contracting. The governing body has the ability every year to contract with a different source and control the cost of the service through the contract negotiation process.

### **Limitations on Sick Leave**

There is no carry over of unused sick leave from year to year for members of the PBA collective bargaining unit. The annual allocation is rather large, apparently because there is no opportunity to accumulate sick leave. Given effective personnel management and strong disciplinary procedures the number of sick days allocated each year should have no bearing on the number of sick days used in a year.

When there is no carry over of unused sick leave and there is an opportunity for employees to voluntarily transfer a portion of their unused allocation to assist a fellow employee enduring an unusual hardship, the well being of the employee is addressed while at the same time the possibility of incurring a large unfunded financial liability for the Borough is eliminated.

### **The Elimination of Longevity Payments**

Through the use of a two-tier contract provision the Borough of Morris Plains has begun to phase out longevity payments. For those employees hired prior to the effective date of the change in policy longevity payments will still be made. New employees hired after the specified date are not eligible to receive longevity pay.

Historical data clearly shows that most public employees have received an upward adjustment in their compensation nearly every year. Quite often longevity payments have been in addition to an increment or step increase as well as a cost of living raise.

The elimination of the longevity benefit tends to place a greater emphasis on continued productivity throughout a career. Simply lasting with Morris Plains for a designated number of years is no longer cause to get a raise.

**SECTION TWO**  
**OPPORTUNITIES AND OPTIONS FOR THE**  
**BOROUGH OF MORRIS PLAINS**

**BUDGET AND FINANCIAL MANAGEMENT**

**The Reserve for Uncollected Taxes**

The data provided in the appendix shows that the tax collection rate was in excess of 98 percent in five out of the six years reviewed. The one exception was in 1993 when the collection rate dropped to 95.74 percent which is still above the state average. The six year average for 1990 through 1995 was approximately 98.11 percent.

In the same six year period the projected tax collection rate used to develop the annual budget was only 95 percent. The percent used to project the tax collection rate for the upcoming year has a significant impact on the amount that is collected for the “Reserve for Uncollected Taxes.” Every municipality must provide 100 percent of the tax revenue due to the school district and County regardless of how much is actually collected. To offset the impact of uncollected taxes, a municipality is required to raise an additional amount through the reserve for uncollected taxes. In effect, those who pay their taxes on time must pay a little extra to cover the delinquent accounts.

It is customary for a municipal governing body to take a conservative approach when setting the projected tax collection rate. It is a decision that can only be made by the local elected officials based upon their own assessment of the stability of the community and advice received from their staff. Morris Plains has the unusual circumstance that one ratable generates approximately 25 percent of all tax revenue. It is important to minimize the potential for budget and tax volatility resulting from this circumstance. Yet at the same time, it is in the best interest of every taxpayer to minimize the amount added to the tax rate to generate the reserve for uncollected taxes.

Given the stability of the community, the exceptionally sound fiscal management and the need to minimize tax increases during a time of declining property values, **it is recommended (# 1) that the governing body adopt a formal policy requiring that the projected tax collection rate used to prepare each annual budget be no more than one percent below the actual collection rate of the prior year.**

In 1995 the actual tax collection rate was 98.78 percent. Implementation of the recommendation would have resulted in a 1996 budget projection based on 97.78 percent.

Had this been done the municipal tax rate could have been lowered by approximately \$438,713 or about 12.11 cents per \$100 valuation. The reserve for uncollected taxes would still be large enough to pay the county and the school district 100 percent of their tax levy without having to use any municipal funds.

### **The Use of the Unrestricted Fund Balance**

When a municipality over-estimates the requirement for the reserve for uncollected taxes the excess income ultimately becomes part of the unrestricted surplus. In fact one of the primary motivations for under-estimating the reserve requirement is to increase the surplus, which is also referred to as the unrestricted fund balance.

Between 1990 and 1995 the unrestricted fund balance at the beginning of each fiscal year ranged from a low of \$475,232 in 1994 to a high of \$1,281,950 in 1993. The fund balance on January 1, 1996 was approximately \$832,093. During the same six year period anywhere from 54.71 percent to 79.86 percent of the fund balance was used as a revenue in the budget for the upcoming year. The remaining unused portion of the fund balance never exceeded 5.69 percent of the annual operating expense. This clearly indicates that the governing body was not trying to retain an excessive amount of the public's money in reserve.

#### **Analysis of the Unrestricted Fund Balance**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Beginning Balance (\$)	857,892	1,104,436	1,044,146	1,281,950	475,232	812,093
Amount Budgeted (\$)	686,000	706,000	766,000	881,000	260,000	505,000
Percent Budgeted (%)	79.96	63.92	73.36	68.72	54.71	62.18
Unused Balance/Budget (%)		5.69	3.84	5.41	2.93	4.05

Notwithstanding the apparent intent of the governing body, the annual operating revenues, which do not include the budgeted fund balance, exceeded the total expense of the Borough in 1992, 1994 and 1995. When a municipality has a history of covering its total annual expense with its operating revenues, there is the opportunity for the governing body to be more aggressive in using the fund balance to lower the municipal tax rate. Using 1995 as an example, the annual operating revenues exceeded the total expense by approximately \$123,380. \$505,000 of the surplus had been budgeted but was never needed. If the municipal tax rate had been approximately three cents lower the annual

operating revenue would have matched the total expense of the Borough still without using any of the surplus. If the municipal tax rate had been lowered another three cents approximately \$108,690 of the fund balance would have actually been used to make total revenues match total expenses.

The impact of this scenario would have been to lower the tax rate by six cents and lower the beginning fund balance for January 1, 1996 by \$108,690 to approximately \$723,403. During budget preparations and deliberations, the advice of the staff and the decisions of the council are made prospectively. The ease with which decisions about the future can be made is often facilitated with careful analysis of historical data. Based upon the review team's analysis of surplus, it does appear that the Borough can choose to utilize more of its unrestricted fund balance to lower the municipal tax rate without adversely affecting the financial stability of the Borough. Accordingly, **it is recommended (# 2) the Borough Council consider utilizing additional surplus to lower the municipal tax rate.** Based upon the 1995 assessed valuation, for every \$36,230 of surplus that is actually used in the budget lowers the tax rate by one cent.

The amount of surplus to be retained by a local government is clearly a matter of local discretion. In comparison, school districts in New Jersey are not permitted to retain more than an amount equal to seven percent of their operating budget. Unlike municipalities, schools do not have the authority to approve emergency appropriations to address unforeseen expenditures. Given that municipal governments have this power, a strong argument can be made their need for a large surplus is less than that of a school district.

There are a host of fiscally responsible municipalities that maintain little or no unrestricted fund balance. Given the sound financial condition of Morris Plains, the history of no over-expenditures or emergency appropriations and the availability of other methods to address unanticipated financial emergencies it is possible for the Borough Council to set a low ceiling for the unrestricted surplus.

### **The Use of Appropriation Reserves**

At the end of every fiscal year unspent appropriations are carried over into the next year as an appropriation reserve. These appropriation reserves are then used to pay the bills received for expenses incurred in the prior fiscal year. At the end of the "appropriation reserve year" any remaining allocation automatically lapses into the unrestricted fund balance of the municipality.

From 1991 through 1994 the lapsed appropriation reserves ranged from a low of \$12,040 to a high of \$141,397. They averaged approximately 12.95 percent of the beginning balance of the appropriation reserve. This clearly is not excessive, however, given the strong purchasing procedures and sound fiscal management, the staff should be able to project, with a reasonable degree of accuracy, the need for appropriation reserves prior to the end of the fiscal year. When this is done the council then has the opportunity to adopt

a resolution canceling some or all of the appropriations that do not have to be carried over into the next year.

The impact of canceling the appropriations is to accelerate by one year the time when the unused allocations lapse into the unrestricted fund balance of the Borough. As discussed above, the fund balance can be used to offset a portion of the municipal tax rate. **It is recommended (# 3) that the council direct the Finance Officer to present a recommended resolution every December canceling appropriations that do not have to be carried over into the next fiscal year.**

The first time that this is done the Borough will see an immediate financial impact in that the unrestricted fund balance will grow by the amount of unused appropriations canceled. Thereafter the financial impact will not be as readily identified; however, it is a prudent fiscal management practice to cancel unused appropriations every year.

### **Banking and Investment Income**

Members of the Local Budget Review Team analyzed 12 of the Borough's bank accounts for the period beginning in October 1994 and ending in September 1995. Five of the accounts earned no interest at all. They are the operating account, the local capital account, the local swimming pool account, the payroll account and the payroll agency account.

Two of these local accounts are paired with similar accounts within the New Jersey Cash Management Fund which earned interest in excess of five percent for the period reviewed. The payroll and payroll agency accounts were not earning interest reportedly because of compensating balance agreements with the bank.

Overall, the review team identified the opportunity to increase interest income by more than \$45,000 by **implementing the following recommendations (# 4):**

**A. Transfer all accounts with low levels of activity to the New Jersey Cash Management Fund.** This would include the public assistance account, the recycling account, the trust account, the unemployment account, and the general account. It may be possible to establish one master account with the required number of sub-accounts. Based on the interest income these accounts earned and the interest rate in the New Jersey Cash Management Fund for the same period of time the Borough could have earned an additional \$20,903.

**B. Establish the operating account as an interest bearing account.** Even though the level of activity was high, the average daily balance was approximately \$413,747. Based on an average interest rate of 4.83% this account could have earned approximately \$19,984.

C. Directly related to item “B,” **establish an “operating reserve” account in the New Jersey Cash Management Fund.** Given the relatively high average daily balance, and the ability of the Finance Officer to project monthly income and expense it should be possible to maintain a relatively low balance in the local operating account and permit the balance of the funds to earn interest at the competitive rates offered by the New Jersey Cash Management Fund. An alternative would be to invest the Borough’s idle funds in certificates of deposit if the market place interest rates are better and there is no need for liquidity.

D. **Consider eliminating the compensating balance arrangements for the two payroll accounts.** It is highly unlikely that the trade-off of fees and charges for zero interest income is in the best interest of the taxpayers, particularly since the Borough participates in the county’s cooperative payroll system. To help make this determination the Finance Officers should obtain and review the bank’s “Customer Profitability Analysis” or “Customer Account Analysis.”

E. **Solicit competitive proposals for all banking contracts.** The banking industry is one of the more competitive and aggressive markets in New Jersey. Given the value of having public funds in the portfolio of a bank and given the need for the Borough to maximize non-tax revenue it is in the best interest of the taxpayers to take advantage of this competition.



**Summary of the Bank Account Analysis  
October, 1994 - September, 1995**

<u>Account Name</u>	<u>Level of Activity</u>	<u>Average Daily Balance</u>	<u>Interest Rate</u>	<u>Net Earnings</u>	<u>Potential Gain</u>
General	low	\$894,389	3.60%	\$32,157	\$16,766
Operating	high	\$413,747	-0-	-0-	\$19,984
Capital (NJCMF)	low	\$179,736	5.46%	\$ 9,817	
Capital (local)	low	\$ 74,678	-0-	-0-	\$ 4,085
Unemployment	low	\$ 48,530	-0-	-0-	\$ 1,485
Swim Pool (NJCMF)	low	\$ 33,020	5.46%	\$ 1,810	
Swim Pool (local)	low	\$ 31,855	-0-	-0-	\$ 1,742
Trust	low	\$ 30,722	1.30%	\$ 433	\$ 1,247
Recycling	low	\$ 28,488	2.20%	\$ 636	\$ 922
Public Assistance	low	\$ 15,776	2.12%	\$ 380	\$ 483
Payroll Agency	low	\$ 15,229	-0-	-0-	\$ 833
Payroll	low	\$ 13,729	-0-	-0-	\$ 663
<b>TOTALS</b>		<b>\$1,779,899</b>	<b>2.61%</b>	<b>\$46,402</b>	<b>\$48,210</b>

## PUBLIC WORKS OPERATIONS

### Street Sweeping

The stated goal of the public works department is to sweep every street ten times per year. This generates approximately 276 road miles of sweeping work each year. In addition, the downtown area is swept once a week which generates another 78 road miles of work per year. Overall the cost to the Borough to sweep the 354 road miles is approximately \$56,544 in salaries and benefits plus approximately \$5,908 in parts, supplies and maintenance for a total cost of approximately \$62,452 per year. This yields an average cost of approximately \$176 per mile per year.

Publicly bid street sweeping contracts have established a market value ranging from \$24 to \$90 per mile. The variation in the unit cost appears to be caused by the length of the contract and the total road miles to be swept in a year. If the Borough contracted for this service at a rate of \$90 per mile the total expense would be approximately \$31,860 which is slightly more than half of the Borough's current expense. **It is recommended (# 5) that the Borough actively pursue one or more of the following:**

A. **Competitively bid a street sweeping contract.** During its fieldwork members of the review team noticed several private companies doing similar work in the area. The fact that companies are already working in the vicinity may help generate some attractive bids.

B. **Offer all of the surrounding communities the opportunity to submit a proposal for doing the street sweeping work for the Borough.** If an inter-local agreement can be implemented the cost of the contract can then be listed outside the annual budget cap.

C. Upon implementation of either item "A" or "B," **sell the Borough's street sweeper.** It may be possible to include the purchase of the Borough's equipment as part of a required bid response and its value could be identified as partial or full payment on the initial contract or inter-local agreement.

D. Upon implementation of either item "A" or "B," **reduce the work force by one position.** The savings identified above cannot be achieved if the staffing level is not reduced in conjunction with the reduction in the work load.

### The Cost of Vehicle Maintenance

The public works department maintains approximately 25 pieces of rolling stock. Based on the salary and benefits of the mechanic as well as the cost of repair parts the Borough is spending an average of \$3,408 per vehicle per year on maintenance and repair work.

Contracted fleet maintenance work ranges from approximately \$2,000 to \$2,700 per vehicle. In order to achieve these market rates **it is recommended (# 6) that the Borough implement the following:**

A. **Competitively bid a contract for all fleet maintenance and repair work.** The relatively small size of the fleet may make it difficult to achieve the rates quoted above unless there is a local company capable of thoroughly completing the work on a timely basis.

B. **Join with Morristown and Morris Township to publish a consolidated fleet maintenance and repair program bid.** The overall size of the combined fleet is large enough to attract major bidders.

C. Offer the surrounding municipalities the opportunity to **complete the vehicle maintenance and repair work through an inter-local agreement.** Here again, the size of the fleet would be large enough to warrant the hiring of an experienced fleet manager if the three municipalities choose to consolidate their operations under an inter-local agreement.

D. **Explore the possibility of an inter-local agreement with Morris County** to complete all vehicle maintenance and repair work. An excellent example of a cooperative arrangement exists between some of the municipalities in Somerset County and the Somerset County vehicle maintenance facility.

E. Upon implementation of one of the options outlined above, **eliminate one position to ensure the desired savings are achieved.**

When the Borough achieves a cost comparable to market prices the annual savings for vehicle maintenance will be at least \$17,500.

### **Other Public Works Staffing**

The department consists of one superintendent, two foreman and eleven workers. The span of control is less than four workers for every supervisor. **It is recommended (# 7) that one supervisory position be vacated and replaced with an entry level laborer position.** This should enhance the productivity of the work crews. The two remaining supervisory positions would be responsible for the work of a maximum of twelve staff members. In addition to the improved productivity the reduction in the cost of wages and benefits would be at least \$39,500 per year.

## **POLICE and MUNICIPAL COURT OPERATIONS**

As noted in the introduction, the Borough of Morris Plains has already made a number of significant changes in the organization and staffing of the municipal police department. The current cost of salaries and wages is comparable to the expenses incurred five years ago. A major cause of this was the decision to participate in the Police and Fire Pension System (PFRS) early retirement incentive program that was offered a few years ago. Seven of the 18 officers in the department retired. The authorized staffing level of the department was also lowered to 16 positions.

### **Public Safety Dispatching**

Dispatching of all public safety calls is done through the civilian dispatchers assigned to the police department. The total cost of salaries and benefits to maintain this staff is approximately \$88,655 per year. This is roughly equivalent to 2.44 cents of the municipal tax rate.

Given the small size of Morris Plains and low number of calls requiring an emergency or rapid response **it is recommended (# 8) that strong consideration be given to contracting dispatching services during the off-peak hours, if not all the time.** The physical location of the person receiving the call from a citizen has no meaningful impact on the time it takes the Morris Plains police officers to respond.

The volume of calls received in the Morris Plains Police Department is low enough to make it possible to contract for dispatching services with a larger municipality or with Morris County without requiring the host agency to put additional dispatchers on duty. If the cost of the contracted service was approximately 50 percent of the existing salary and wage expense the savings to the Morris Plains taxpayers would be approximately \$44,300. If only one shift was contracted the savings would be approximately \$10,200.

### **Crossing Guards and School Transportation**

The Local Budget Review Team is conducting a detailed review of the safety issues and bus transportation routes used by the Morris Plains School District. **It is recommended (# 9) that upon release of the local budget review report to the Morris School District that a joint town-school committee be formed to determine if the use of crossing guards can significantly reduce the school transportation costs.** If savings can be found the desired advantage of reducing the overall burden on the taxpayer is achieved. The formation of a joint committee presumably would involve police professionals to assess the safety or risk factors and other personnel conversant in the personnel policies and procedures of both agencies to determine the best place to administratively house and supervise the crossing guard personnel.

It may be important to note that there are innumerable towns throughout New Jersey that have major county roads and State highways in their community that make use of crossing guards and police officers along pedestrian routes in lieu of bussing.

### **Municipal Court Operations**

The Local Government Budget Review Program recognizes the separate authority and responsibility of the judicial branch of government. The comments and recommendations offered below are made in an effort to provide the governing body and the taxpayers with information on current and potential procedures of the municipal court. All recommendations are made with the knowledge that further review and approval will be required by the appropriate judiciary personnel.

The municipal court in Morris Plains is well run. The court schedule includes one evening session per month which makes it possible to address the cases of citizens who have difficulty attending a daytime session. The overtime costs incurred by the Police Department due to court sessions is minimal. The court uses both the automated traffic system (ATS) and the automated criminal system (ACS) to record, track and report the court activities as well as related fines and fees to the State.

When compared to other courts in the area the staffing is similar but the workload is lighter. In the Morris Township court there are an average of 415 tickets pending per full time position; in Morristown there are approximately 553 tickets pending per full time position and in Morris Plains there are 357 tickets pending per full time position.

### **A Summary Comparison of Three Municipal Courts**

<u>Item</u>	<u>Morris Plains</u>	<u>Morristown</u>	<u>Morris Township</u>
Court Hours Per Month	16	40	15
Traffic Cases Disposed Per Court Hour	18	44	46
Total Traffic Tickets Pending	713	4,976	1,037
Adjudicated Time Payments	128	352	536
Monthly Collections	\$17,054	\$47,016	\$40,893
Full-Time Equivalents	2.0	9.0	2.5

The opportunity to reduce the cost of the Morris Plains Municipal Court is limited to reducing the staff from the current level of two full-time positions to 1.5 full-time positions or working with an adjoining municipality to form a joint or shared court. The volume of activity in the court does not appear to warrant two full-time positions during

the day; however it is not practical to conduct a court session without two administrative personnel.

Municipalities in this dilemma have found it successful to reduce the court staffing to 1.5 positions by sharing the work time of one position with another function in Borough Hall. In this scenario the person working half time in the court attends all court sessions and substitutes full time for the court administrator during vacations, illness or absence due to training.

A joint or shared court may, in the long run, be the most cost-effective solution. Presumably the salary and wages costs of the judge and prosecutor would be pro-rated upon the volume of cases or some other reasonable measure of activity.

**It is recommended (# 10) that in the short term the council work to reduce the court staffing by .5 positions by sharing the work time of the junior position with another office.** The taxpayer will not realize any savings, estimated to be at least \$6,000 per year, unless one of the existing part-time positions is eliminated. **It is also recommended (# 11) the council appoint an ad hoc committee to assess the potential savings and logistical ramifications of a shared court.**

## THE COST OF EMPLOYEE BENEFITS

### Group Insurance for Employees

In 1991 the Borough spent approximately \$205,700 on group insurance benefits for its employees. By 1995 the cost had risen to approximately \$325,825 which is a 58 percent increase. This expense is one of the two major unresolved “cost drivers” in the Borough of Morris Plains budget. The major components of the employee group insurance plan are the State of New Jersey Health Benefits Program and a Delta Dental benefits contract.

In addition to family, husband-wife, parent-child or single coverage an employee or retiree may select coverage through an health maintenance organization (HMO), through a preferred provider plan (PPO), or from a comprehensive indemnity plan, often referred to as the Traditional Plan. Approximately 75 percent of those covered have selected an insurance option that is more expensive than the cost of the State Health Benefit Commission PPO.

In order to achieve cost reductions without adversely affecting the welfare of the employees and retirees **it is recommended (# 12) that the Borough pursue the following:**

**A. Limit the Borough’s expenditure for health insurance to the cost for coverage of the employee.** Current State statutes require a municipal employer to pay the health insurance premium for the employee. Expenses beyond that are a matter of local discretion. Based upon the current levels of coverage, implementation of this recommendation would reduce the Borough’s expense by approximately \$81,286 per year. If the Borough chose to phase this in over five years using an evenly graduated co-pay the Borough’s savings in the first year would be approximately \$16,257 or almost 1/2 of a cent on the municipal tax rate.

**B. Limit the Borough’s expenditure for dental insurance to 90 percent of the cost of coverage for the employee.** Unlike health insurance, providing dental insurance for an employee is not required by State law. Limiting the cost of coverage for the employees would reduce the Borough’s expense by approximately \$12,693. Charging a 10 percent co-pay would reduce the Borough’s expense by an additional \$1,217.

**C. Stop providing insurance coverage at taxpayers expense to part-time employees and officials.** To provide for an acceptable transition those currently receiving benefits could remain in the program by reimbursing the Borough for its expense. Implementation of this policy would reduce the Borough’s out of pocket expense by approximately \$7,232.

**D. Ensure all retirees meet the specific eligibility requirements to receive health insurance paid for by the Borough.**

### **Annual Allocations and Payments for Unused Sick Leave**

The Borough of Morris Plains has two collective bargaining units that cover nearly all of its employees. The amount of sick leave an employee is allocated each year, the ability to carry unused sick leave into future years and the amounts paid for unused sick leave when an employee resigns, retires or is laid off are different. In the “Best Practices” section of this report the Borough was lauded for the circumstance in which sick leave does not carry over from year to year.

Under the present system members of the local PBA collective bargaining receive a larger annual allocation of sick leave but are not permitted to carry unused sick leave into the next year. Presuming sound personnel management and strict disciplinary procedures the amount of sick leave used by the employees is limited to that which is necessary and appropriate. Simply put, the annual allocation of sick leave days should have no bearing on the amount of sick leave consumed. If this is not the case it is initially a problem of a poor supervision and secondarily a problem of poor employee performance.

When there is no carry over of sick leave to the next year there cannot be any future liability for the payment of unused sick leave. Any payment for unused sick leave is a by-product of the local negotiating process. There is nothing in the Fair Labor Standards Act or the State statutes and regulations that obligate an employer to make such a payment.

The employees in the Teamsters collective bargaining unit can carry over or “bank” sick leave. They are allocated 12 days per year. Upon death, retirement, or lay-off the employee is paid 50 percent of the value of the days that have been “banked” at the rate of pay in effect at the time of the payment. If any employee voluntarily resigns at any time during their tenure with the Borough they are paid 25 percent of value of their sick leave “bank.” As a result of these provisions, the Borough has an unfunded liability for payment of unused sick leave of approximately \$96,000.

In the interest of eliminating the different policies and regulations within the small group of people working for the Borough and in the interest of establishing a cost effective and fair sick leave system **it is recommended (# 13) that the Borough work toward the following:**

**A. Establish one sick leave policy applicable to all full-time employees similar to the existing PBA arrangement.** This should include the elimination of the “banking” of all sick leave and a uniform allocation of sick leave for all employees every year. The tenure of an employee should have anything to do with the number of sick days allocated each year. Sick leave should not be reward. To ensure that an employee experiencing a



long term illness is not adversely affected it would be advisable to permit employees to transfer some or all of their sick leave balance to their fellow employee.

**B. Resolve the existing liability for banked sick leave with payments equal to the value of 25 percent of the unused sick leave in excess of the amount to be allocated per year.** It would be in the best interest of the employees and the Borough to extend these payments out over five years to minimize the impact on the taxpayers.

**C. Strengthen both the wording and the enforcement of policies pertaining to the responsibility of supervisors to properly control the abuse of sick leave and strengthen the penalties for misuse of sick leave.**

If the recommendations outlined above cannot be implemented **a palatable alternative (# 14) would be to limit the payment for unused sick leave to those who retire.** The payment should not exceed 50 percent of the value of the sick leave or \$15,000, whichever is less.

## SEWER OPERATIONS

### Local Maintenance and Tests

The cost of sewer treatment services is the second major unresolved “cost driver” in the budget of the Borough of Morris Plains. The upcoming re-negotiation of the existing agreement may help mitigate this problem. Nevertheless, it is imperative for the Borough to be sure that it is not paying for any excess flow resulting from inflow and infiltration.

A few small breaks in the sewer collection lines can result in remarkable amounts of ground water entering the system. To be sure this is not the case, **it is recommended (# 15) that a competitive contract be bid to videotape the major collection lines, particularly in areas where the sewer collection lines are near major natural drainage points.** A detailed review of flow data in comparison to monthly rainfall may provide a good indicator of a potential problem even before any videotape work is done.

If it is found that there is no significant inflow or infiltration the governing body can then focus its attention on the contracted cost of sewage treatment.

### The Cost of Sewage Treatment

In 1991 the total spent on sewage treatment contracts was approximately \$1,233,908. By 1995 this expense had increased to approximately \$1,614,134. A small portion of this expense is paid to Hanover Township while the preponderance goes to Morris Township. The number of building permits issued for new construction or renovation does not provide any indication that there should have been a substantial increase in the volume of sewage flowing into the Morris Township plant for treatment.

The Local Government Budget Review report submitted to the governing body of Morris Township contains a section dedicated to that township’s Sewer Utility Fund. In that report it was stated:

Morris Township provides sewage treatment services for the Borough of Morris Plains and Randolph Township. These communities receive one bill per year based upon the amount of raw sewage or influent treated. It appears that the costs of the sewer utility billing process and other general administrative costs that have no impact on the sewer plant operations are included in the calculations of the amount due from the two communities. Morris Plains and Randolph Township should not be subsidizing the Morris Township rate payers by being charged for something they are not using or receiving. It is recommended (# 62) that the calculation of the average cost per gallon for treatment of sewage influent be limited to the actual operational costs of the sewage treatment plant and only those overhead

costs that are directly attributable to the operation of the sewage treatment plant. (P. 45, Morris Township Report)

It is also recommended (# 63) that the guaranteed minimum number of gallons to be treated be eliminated from the contracts for sewage treatment services as long as the parties receiving the treatment services from Morris Township agree not to permit their existing customers to divert flow to some other treatment source. (P. 45, Morris Township Report)

In addition the review team found that in the Morris Township Sewer Utility:

- Revenue estimates are consistently low by a significant margin, appropriations are unnecessarily high, surplus is budgeted needlessly and the unrestricted fund balance has grown tremendously.
- The preponderance of revenues collected by the utility are service charges assessed to local residents and to Morris Plains and Randolph Township. The residential rate payers in Morris Township pay a flat fee per quarter.
- Morris Plains and Randolph Township each pay a fee based on the average cost per gallon to treat influent and the number of gallons treated or guaranteed, whichever is greater.
- From 1990 through 1995 the revenues collected exceeded the budgeted revenues in five out of six years. In 1990 the revenue collected was \$352,247 more than had been budgeted. By 1995 the gap between the projected and actual collections had grown to \$1,668,040. In every year except 1991 the annual operating revenue exceeded the sum of operating and non-operating expenses. By 1995 the excess of operating revenues over total expenses was \$2,130,904.
- Notwithstanding the history of audit schedules showing that operating revenues have consistently exceeded the sum of operating and non-operating expenses, a portion of the unrestricted fund balance was budgeted as a non-operating revenue every year. When these non-operating revenues are included the total revenue exceeded the total expense by \$2,383,297. The total revenue was 35 percent more than the total expense in 1995.
- The net result of these actions has been a tremendous increase in the unrestricted fund balance. At the beginning of 1990 the unrestricted fund balance was \$413,639. At the beginning of 1995 the fund balance was \$2,848,948. A review of the unaudited records for 1995 indicate the fund balance could go as high as \$3,828,020 for the beginning of 1996. This would be roughly 58 percent of the total expenditure in 1995.

- The review team recommended that the rate structure for the township residents and for all contractual payments be adjusted to reduce the unrestricted surplus over a three to five year period.
- If the township were to maintain an unrestricted fund balance of approximately seven percent of all 1995 sewer utility fund expenses approximately \$3,362,600 could be returned to the rate payers in Morris Township, Morris Plains and Randolph Township through a rebate or an adjustment in the fee schedules.

A final recommendation made to Morris Township concerning the sewage treatment operations was that consideration should be given competitively contracting the operation of the two sewage treatment plants in the interest of reducing the costs for all parties.

Based upon the review of the sewage collection and treatment services in Morris Plains, Morristown and Morris Township we have concluded the interest and concerns of each municipality can be addressed most effectively through long term regional planning. A regional focus should facilitate the search for mutually satisfactory solutions to the problems of treatment capacity, treatment costs and maintenance of the total system.

As part of the effort to develop useful regional data and as it approaches the upcoming negotiations with Morris Township, **it is recommended (# 16) that the Morris Plains governing body ascertain the cost per gallon for treatment in other sewage treatment plants** in the area as well as the prices submitted by private firms responding to competitive bids for sewage treatment operations. For every \$36,230 reduction in the cost of sewage treatment services the municipal tax rate can be reduced by approximately one penny.

**It is also recommended (# 17) that the Borough give consideration to franchising all sewer utility functions to Morris Township.** The bill for all commercial accounts in Morris Township is a function of the amount of water consumed. Residential accounts in Morris Township pay a flat fee of \$123 per quarter.

The Borough of Morris Plains maintains about 2,200 tax accounts. One account generates approximately 25 percent of the total assessed value which in turn would indicate that it indirectly pays approximately 25 percent or about \$403,500 of the total sewer cost. When the balance of the sewer charges is averaged over the remaining tax accounts, the average bill is approximately \$550. If there was no change in the rate structure the Morris Plains customers would save approximately \$58 per year by paying the quarterly fee directly to Morris Township. This estimate of savings does not include the cost reduction that would occur due to the fact that the Borough would no longer be required to retain the crew dedicated to maintenance of the sewer collection lines.

**Yet another alternative (# 18) that should facilitate the development of a regional approach would be for the governing body of Morris Plains to direct their engineer to explore the feasibility of connecting the Morris Plains sewer collection system to the Morristown sewage treatment plant.** The Morristown plant is operating at less than

40 percent of capacity which is creating a significant financial strain for that town. By balancing the total flows into the Morris Township plants and the Morristown plant the issues of future growth, optimal operational costs and the fees charged to the customers can be addressed simultaneously.

## OTHER ORGANIZATIONAL CONSIDERATIONS

The recommendations presented to this point have identified ways to reduce costs within the existing framework of the government of Morris Plains. Outlined below are additional recommendations that would generate some change in the organizational structure as an outcome of reducing the cost of the municipal government. It is important to note that these recommendations do not mean that the existing personnel are not performing well. The common theme to each recommendation is that there is a way to provide the same quality of service at a reduced cost.

In addition, a characteristic common to all of the functions described below is a relatively small volume of work and the relative simplicity of the remaining tasks. As a result, some functions can be combined with the framework of the Borough government while for others the provisions of the service can be contracted with another municipality.

### **Consolidation of Planning and Zoning Functions**

Consolidated planning and zoning boards are fairly common in municipalities throughout the nation. In some states these functions automatically fall under one umbrella. Both boards have the common purpose of ensuring the land uses of the municipality are consistent with local ordinances and State statutes.

State statutes have already been amended to permit consolidation of these boards in smaller jurisdictions. Consideration is being given to amending the statutes to expand the parameters under which consolidation can take place. Should such an amendment be adopted **it is recommended (# 19) that the planning and zoning boards be consolidated.** In addition to enhanced continuity, the opportunity to reduce annual expenditures by the elimination of at least two professional service appointments could be significant.

**An alternative already permitted would be to pursue the consolidation of the Morris Township, Morris Plains and Morristown Planning Boards into one regional body.** The unique characteristics of each land use ordinance can be incorporated into a consolidated land use ordinance. The interaction and relationships between communities is similar to that which exists between Princeton Borough and Princeton Township. The historical concerns and considerations that become a factor in some Morristown planning and zoning issues are analogous to the historical concerns in Princeton. The Princeton Regional Planning Board has operated successfully for many years. The new regional planning area would match the service area of the high school of the Morris School District.

## Construction Code Inspections

The volume of building, plumbing, electrical and fire subcode inspections is not likely to grow very much since there is very little undeveloped land in Morris Plains. In all likelihood permits for renovations and remodeling will generate most of the activity. The relatively low volume of activity calls into question the need for the Borough to maintain its own staff of inspectors.

**It is recommended (# 20) that a centralized staff of construction code inspectors be established.** This concept is more fully discussed in Section Four of the report. The proposed system has been working successfully in Monmouth County where Middletown which is a geographically large township with many undeveloped tracts of land provides all of the code inspection services for smaller surrounding towns, such as Keansburg, that are fully developed.

In this scenario the advantage to Morris Plains is that permits would still be issued from the Borough Hall, and it would still keep a portion of the permit revenues but it will not have to retain its staff of inspectors. The salary and wage cost of the inspection staff has averaged approximately \$25,600 over the last five years. The advantage to the larger municipality, such as Morris Township, is that it can maintain a full staff of inspectors while ensuring a reasonably steady workload. Their cost is partially offset by obtaining a fixed fee from Morris Plains for every inspection completed.

## Tax Collection Options

The Borough of Morris Plains maintains approximately 2,200 tax accounts. The tax collection office is staffed with two full-time positions. Review teams have found that it is unusual to have more than one position in a tax collection office unless there are more than 3,000 tax accounts. The most effective tax collection offices are those that maintain a ratio of one full-time position to approximately 3,300 tax lines.

Section 40:8A-5 of the New Jersey Interlocal Services Act states:

The parties to a contract authorized by this act may agree to provide jointly, or through the agency of one or more of them on behalf of any or all of them, any service or aspect of a service which any of the parties on whose behalf such services are to be performed may legally perform for itself. Such services shall include, but not be limited to, the areas of general government administration, health, police and fire protection, code enforcement, assessment and collection of taxes, . . . .

The fact that the tax collection rate has been high in the Borough is not a satisfactory rationale to maintain the status quo. **It is recommended (# 21) that Morris Plains engage in negotiations with for the purpose of entering into an interlocal agreement**

**to provide all of the tax collection services.** It would be in the best interest of the Morris Plains taxpayers to pursue this agreement with one of the neighboring communities in order to reduce the cost of the service. Because of the strong collection rate the remaining workload is small and the tasks are straightforward. A very large majority of the Morris Plains tax payments are mailed. The small number of tax accounts, the high collection rate, the low number of tax liens and the infrequent need to initiate foreclosure proceedings should make it relatively easy to prepare and adopt a thorough yet simple contract between two governing bodies.

Based upon the number of Morris Plains tax accounts, it would not be unreasonable for the Borough to expect to pay the equivalent of two-thirds of the salary and benefit cost for one clerical position in the tax collection office of the host agency. Based upon this estimate the net savings to Morris Plains would be approximately \$27,000 per year.

### **Tax Assessment Options**

A similar argument can be made for pursuing a cooperative agreement for the assessment function, particularly if the construction code inspections are consolidated as recommended.

It is expected that the Borough of Morris Plains will have to undergo a revaluation of its property within the next few years. During the revaluation and subsequent period of appeals it may be beneficial for the taxpayers to have access to a full-time assessing staff. It is simply not feasible for the Borough to retain a full-time assessor even for a short period of time. Accordingly, **it is recommended (# 22) that the Borough pursue a cooperative agreement to house the assessment tasks and responsibilities in an agency of one of the adjacent towns.** This will permit the council to eliminate the exiting part-time appointment thereby reducing the burden on the taxpayers.



## **SECTION THREE**

### **RECOMMENDED CHANGES IN**

### **STATE REGULATIONS AND PROCEDURES**

#### **The Application of Underground Storage Tank Regulations**

Given the age of the infrastructure throughout the State of New Jersey, it certainly is no surprise that the matter of leaking underground fuel storage tanks is a legitimate concern. It is hard to find anyone in a municipal government who is opposed to their timely removal. It is equally hard to find anyone in a municipal government who agrees with, truly understands or respects the regulations associated with the removal of small underground storage tank located within the boundaries of a municipal public works facility.

It appears that the scenario surrounding the removal of the underground storage tanks in the Borough of Morris Plains is indicative of the problems found in other communities visited by Local Government Budget Review Teams. In some cases it is the municipality itself that has had difficulty meeting the regulations and project requirements for the removal of underground storage tanks. In other cases there are a number of small privately owned sites that have been abandoned or gone unused because of similar difficulties. This in turn often leads to tax delinquency problems.

In the case of Morris Plains a conscious decision was made to utilize the State purchasing contract to obtain an approved vendor to remove their underground fuel storage tanks. This was done in recognition of the complexity of the regulations and in the interest of getting the job done properly. The approved contractor was retained to remove two 1,000 gallon tanks and one 500 gallon tank. The tanks were located within a 13 by 19 foot area at the Public Works Garage. The laboratory work that had to be done as part of the process was completed by a "State certified water laboratory."

After the tanks were removed the soil was tested and found to be satisfactory by the contractor. Nevertheless the soil immediately surrounding the tanks was removed and replaced. The holes created by the removal of the tanks were filled and the surface was paved.

After the project was finished the New Jersey Department of Environmental Protection required that a remedial investigation be conducted. When the remedial investigation was completed there were no adverse environmental findings but it was found to be administratively deficient. The dates on the correspondence indicate this relatively simple case has been open for more than two years.

In reviewing the available files and correspondence the team found nothing to indicate that there had been any environmental damage before or after the remedial investigation. Based upon the tenor of much of the correspondence it would appear that the importance of environmental protection became secondary to the imposition of administrative authority and regulation.

Part of the extended calendar for this project appears to have been precipitated by the need to get a permit to drill the monitoring wells required by the State. On one hand an agency of the State was demanding that monitoring wells be drilled while on the other hand it appears another department of the same agency contributed to the delay in getting the required well permits.

A second difficulty appeared to be the threat of imposing fines for delays in completing the remedial project as well as charging the Borough for the NJDEP staff time associated with this case. It was suggested that the imposition of complex regulations after the initial project was completed followed by the implementation of a fee schedule is indicative of an orientation to job preservation and revenue enhancement rather than environmental protection.

A third difficulty appeared to be the insistence by the NJDEP of directing all correspondence to the Borough who in turn had to contact the firm hired to do the work. While the Borough does have the ultimate responsibility for compliance, the practical reality is that the Borough contracted with a firm on the approved State contract list to get this work done. It appears that many of the delays and much of the confusion could have been avoided if the NJDEP had communicated directly with the contractor.

It is the contractor's responsibility to ensure the Borough understands and authorizes any additional work that may have to be done if the contractor has any hope of being paid. Submission of contract change orders before new or additional work is started is a common task for contractors. It is also a commonly understood mechanism for monitoring both progress and total costs and for approving all additional work.

The cost of the monitoring wells, testing and remediation do not appear to be consistent with any environmental benefit achieved, particularly since there was no readily apparent evidence of environmental damage. The Borough's three small fuel tanks were not analogous, in any respect, to a major fuel station or a large fuel depot.

**It is recommended (# 23) that the New Jersey Department of Environmental Protection review the compliance procedures and regulations for the removal of underground storage tanks, particularly for small sites, and for cases where the potential for environmental damage is limited or the use of the affected land is not likely to change.**

## SECTION FOUR

### OPPORTUNITIES FOR ENHANCED COOPERATION

The Township of Morris, the Town of Morristown and the Borough of Morris Plains are already inextricably inter-related in many ways. A very strong argument can be made that they are economically dependent upon each other. Without the residential population the surrounding retail and commercial ventures would not survive. Conversely, without the existing retail and commercial outlets the residential areas would not have developed as they have. This relationship and the resulting impact on assessed valuations and tax rates is strong enough that it is in the best interests of the taxpayers of all three jurisdictions to do everything possible to ensure the well being of the entire region.

Morris Township and Morristown already share a common library. The Morris Plains residents have equal access to this facility as a result of the existing reciprocity agreements. All of the public high school students share the same faculty and facilities. There is a common ambulance service. Inter-agency contracts exist for the provision of many public health services. The independent youth athletic programs make no distinction concerning where their registrants live. The formal mutual support agreements and the day-to-day cooperation between police departments and fire departments are clearly commonplace. The analysis of purchase orders completed by the review team indicated that there are common vendors and service contractors among the three municipalities.

Notwithstanding the existing level of cooperation there are differences in attitude that create a level of tension or frustration which may be hampering the opportunity for even more cost-effective cooperative arrangements. When pressed to describe the real magnitude of these differences every person suggested that they can be overcome given an earnest commitment to constructive change and an enhanced appreciation for the region defined by the perimeter of Morris Township and Morris Plains.

Ironically, it is the staff of the Morris School District that is probably the most aware of and sensitive to the real or perceived differences in the communities. On more than one occasion the school district has functioned as a de facto arbitrator or referee in disputes arising out of the different perceptions or the different procedures of the communities.

The potential for enhanced cooperation resulting from improved relationships clearly exists as indicated by the fact that members of the executive staffs of all the local agencies having been getting together on a regular, albeit informal, basis for quite some time. This dialogue should be expanded. Accordingly, **it is recommended (# 24) that the governing bodies of the three municipalities and the two school districts formally designate an official to be an inter-agency liaison** for the express purpose of having regular discussions on topics of mutual interest. Given their involvement, it would appear to be beneficial to invite a representative of the Leadership Morris Shared Services Project to serve as an ex-officio member of this group. There are innumerable ways in which two

or more agencies can implement a plan to reduce expenses through cooperation. These include but are not limited to:

A. **Single-source contracting** between agencies where one agency assumes responsibility for all services defined in a contract. For example, Middletown Township provides all building code inspections services for Keansburg and Atlantic Highlands. Middletown recovers its costs based upon a mutually agreed upon schedule of fees.

B. **A mutual or combined staff**, physically housed in one agency yet performing work for all jurisdictions involved in the agreement. The most common examples are consolidated planning and zoning staffs where the importance of a regional orientation is acknowledged and utilized to the fullest extent possible.

C. **Cooperative contracting** where two or more governmental agencies jointly contract the services of a private vendor. This is analogous to the cooperative purchasing ventures already used by many governments. The concept is now being expanded to include services ranging from road repair to computer hardware and software maintenance contracts.

D. **Shared staffing** where two or more agencies cooperate in underwriting the payroll and benefit cost of one or more staff members who perform different work for each agency involved. This is most common where a particular expertise is needed, but none of the agencies can justify a full-time position or full-time staff by itself. Common examples include systems operation and management information systems personnel, an arborist or agronomist, an attorney specializing in tax and foreclosure proceedings, etc.

E. **Mutually supported enterprise functions.** By its very name an enterprise function should be self supporting. There are, nevertheless, some cases where a limited amount of tax support may be considered appropriate, particularly if the tax burden can be reduced through a cooperative effort, to ensure the long term viability of the function. A “Community Education and Recreation Department” would be a good example.

F. **Consolidation of Structured Services.** In many cases the function and procedures of a governmental office are precisely outlined by statutes and regulations. There is little room for local interpretation or local deviation from the established procedures. Given the uniformity in procedures economies of scale can be readily achieved through consolidation of one or more offices. A consolidated tax collection office would fit this model.

The six examples outlined above focus on three different service characteristics. They address the need to reduce redundancies, particularly for optional governmental services; utilize specialized areas of expertise in a cost effective manner; and take advantage of economies of scale in structured functions.

Based upon the review completed on behalf of the Town of Morristown, the Borough of Morris Plains and the Township of Morris the following nine items have been identified as prime opportunities to reduce costs through cooperation. The inclusion of a recommendation is not, under any circumstance an assessment of the staff currently performing the functions listed below. The review team used organizational size and structure, level of service being provided, market place conditions, local procedures and governmental responsibility as the primary criteria for considering opportunities for additional cooperation. Recommendations for enhanced cooperation previously offered in this report and the reports submitted to the other two municipalities are not restated. They are, nevertheless, valuable opportunities worthy of consideration.

In some cases the Morris School District and the Morris Plains School District can benefit from, participate in, or even become instrumental in facilitating the success of the recommendations outlined below. It is expected that additional opportunities for cooperation will be included in the reports being prepared for these agencies.

**1. Cooperatively contracted vehicle maintenance.** The work space for the public works departments of all three municipalities is at a premium. Given the total geographic size of the three communities and the total number of vehicles being maintained there is no apparent need to retain three separate vehicles maintenance functions. **It is recommended one vehicle function be established to serve all three agencies.** At least two different options appear to be plausible. First, the three agencies can jointly bid for all vehicle maintenance and repair work to be done by a private contractor. One site may have to be designated for this work.

A second alternative would be to implement an arrangement similar to the agreement being used in the Somerset County garage. In this case the county has established an inter-local agreement for maintenance and repair of municipal vehicles. The range of work to be done by the county and the fees for the work are clearly spelled out in the agreement.

In this instance one municipality could become the host agency while the others would send their work to the host. The opportunity for cooperation with the county should not be overlooked as they already make fuel available for municipalities.

**2. Interlocal Building Permits and Inspections.** The demand for building code inspections tends to vary from year to year based upon the economy, interest rates and other factors beyond local control. One plausible way to mitigate the variation in activity is to have one centralized staff. The Middletown Township agreement with the Boroughs of Keansburg and Atlantic Highlands can be duplicated effectively.

Building permits are issued in each local town hall and all fees are collected in the local town hall. Inspection requirements are faxed to Middletown where they are scheduled and promptly completed. Middletown then bills the local municipality for the service rendered based upon a previously adopted schedule of fees. After an initial period of hesitancy

contractors found this to be a very effective system because there was greater continuity and consistency in the inspection process. The local agencies retain the ability to monitor the number of permits issued for tax assessment purposes and they retain the net fee after making the scheduled payment to Middletown.

**3. Interlocal Fire Safety Inspections.** The number of fire safety inspections does not vary as much from year to year as do the building subcode inspections. It will tend to increase as additional buildings classified in the “life hazard” category are constructed. Morris Township currently completes all of their inspections utilizing three fire fighters cross trained as inspectors. Morristown utilizes the services of the New Jersey Department of Community Affairs. Morris Plains retains the services of a part-time inspector.

It is recommended that an interlocal agreement be adopted to authorize the certified fire subcode officials on the Morris Township staff to do the inspection for all three communities. Even if it became necessary to remove one or more of the township’s inspectors from the dual role of fire fighter it should be possible to get all inspection work properly completed at the local level on a timely basis. The use of local personnel may also enhance the dialogue with the fire fighters since one of their ongoing requirements is to maintain an accurate working knowledge of the structure and organization of the major building within their area of response.

**4. Consolidated Tax and Utility Collections.** Specific recommendations regarding the scheduling of utility payments are discussed in an earlier section of this report. The tasks of billing, collecting and reporting for utilities and property taxes is remarkably consistent across agencies. As a result the ability to accurately project costs and to apportion costs based upon the number of accounts managed is relatively easy. The vast majority of bills are paid through the mail. It is recommended that consideration be given to consolidating the printing, mailing, collection, depositing and reporting of tax and utility bills. Given the availability of space in the new Morristown Town Hall the consolidated staff could be located there. If necessary, limited walk-in service could still be provided in Morris Township and Morris Plains. Each municipal staff would still have bonded personnel authorized to collect and handle money.

**5. Consolidated Payroll Services Contract.** The rates being paid by each agency are different. This appears to be due to the relative size of the respective staffs, the date when the service was contracted and the optional services selected by each agency. If the local agencies can reconcile the differences in the optional services being used, and the payroll calendars are coordinated to ensure maximum uniformity, it should be plausible to bid this service as one entity. This business arena is becoming increasingly more competitive. It would be in the best interests of the taxpayers to make optimum use of these market conditions.

All of the contracted payroll services observed by Local Government Budget Review Teams have the ability to code, sub-code, sort and sub-sort their data reports. Given the

increasing competitiveness of this service the several vendors may be interested in pursuing such an agreement.

**6. Emergency Services Dispatching.** The volume of calls documented by each of the fire services and each of the police services does not equal the number of calls commonly received in a city having the same size population. In addition, the historical patterns of call data clearly show fairly consistent patterns of minimum activity during certain hours. It is recommended that consideration be given to a consolidated dispatch function during at least one shift, if not entirely. Arrangements exist between New Jersey towns today where the dispatch responsibility is shifted to a “central” agency for set hours of the day. The fees charged by the host agency do not equal the costs to staff a separate dispatch center since additional personnel are usually not needed. Both agencies are able to reduce their net costs without reducing the effectiveness of their response system.

It may be practical to approach this incrementally. If consolidated dispatching were to be successful during one shift it could be expanded to other shifts as desired. Given the multi-channel capabilities of the existing radio systems, the initial capital outlay to ensure communication capabilities exist between the central dispatch site and all police vehicles should be minimal.

**7. Consolidated Recreation Programming.** Many of the youth athletic programs are provided by independent organizations. These groups receive a small stipend from the municipalities and they also have access to the publicly owned playing fields. Other recreation programs are provided directly by the local governments. Recommendations have been made previously encouraging the respective municipal agencies to reconsider the extent to which tax revenue is used to subsidize recreation services. The lower the tax subsidy the less likely they are to be concerned about where residents live.

The debate over the propriety of using tax revenue for special events and recurring programs took on greater prominence in the mid-seventies when the voters of California passed Proposition 13. This action, which has since been mitigated partially, changed the connotation of municipal recreation from a governmental function involuntarily subsidized by taxes to a proprietary function underwritten by voluntarily paid fees.

The library is a major component of any leisure service delivery system. It is one of the existing examples of a strong, successful cooperative venture. Given the existence of a community school enterprise fund in the Morris School District budget, it may be plausible to develop a common Community Education and Recreation Fund. This premise will be more fully discussed in the Morris and Morris Plains School District reports.

**8. Consolidated Programs and Services for Seniors.** In much the same manner that youth and family leisure programming can be consolidated, the special programs and services offered to the senior residents of Morristown, Morris Plains and Morris Township can be coordinated through a comprehensive inter-local agreement. One comprehensive

set of programs and services supported by all three municipalities is much more likely to be responsive to a larger number of citizens in a more cost effective manner.

**9. Seasonal Road Repair.** The advent of Spring always brings with it a certain uneasiness in every local government as the demand for road patching work grows. The need to patch winter potholes usually occurs at the same time the crews are trying to finish the leaf pick-up that is so often interrupted by an early snowfall or prepare the outdoor facilities and fields for Spring activities. It can be a no-win situation for the public works staff, the executive staff, the elected officials and for the taxpayers.

None of the three municipalities can afford the luxury of a full-time road patching crew nor do any of them own the capital equipment needed to do an effective job. To get the job done each public works director must “rob Peter to pay Paul.” It is recommended that consideration be given to jointly bidding a road patching contract based upon a unit price for work completed. Even if a baseline fee had to be paid it would, in all probability, be less than the overtime expense currently being incurred. This would also allow the municipal crews to complete their other major seasonal tasks.

None of the recommendations offered above are new, unique or novel. Arrangements similar to those described above already exist between municipal agencies. The inventory of cooperative ventures is large and it is growing.

By raising these issues and putting them on the table, we hope that the local elected officials in Morris Township, Morristown and Morris Plains will be able to accelerate the degree to which they adopt cooperative agreements to provide the best possible services to the taxpayers at the lowest possible tax rate.



## **LOCAL GOVERNMENT BUDGET REVIEW**

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